

25X1A

INFORMATION REPORT

COUNTRY Austria (Russian Zone) DATE DISTR. 19 July 1948
 SUBJECT Money Shortages in USIA and USIA-controlled Firms NO. OF PAGES 3 25X1A
 PLACE ACQUIRED 25X1C NO. OF ENCLS. (LISTED BELOW)
 DATE OF INFO 25X1X SUPPLEMENT TO REPORT NO.

SOURCE

25X1A

Comment: Since early in 1948, reports have indicated acute financial difficulties in the Soviet economic organs in Austria. These signs have been noted in individual USIA firms, in the Central Administrations of Soviet Oil Companies in Austria, in USIA headquarters, in the Soviet BDCG, and occasionally in the Soviet Military Bank. Salaries have been cut, payments to creditor firms as well as to employees have been late, sales organizations have been disbanded in an effort to stimulate selling activities by turning over sales to the individual firms concerned rather than by conducting them through the central Soviet sales organization. Except in rare cases, USIA firms have not succeeded in overcoming buyer resistance to goods offered at prices higher than the legal ceiling. Austrian buyers are well aware of the cash shortage in Soviet-controlled enterprises, and are waiting for prices to drop even more than in recent months. Officials of Soviet economic organs have been trying desperately to find markets for their products in Austria and western Europe. Economy measures are everywhere apparent. Reports have been received of cancellation by USIA headquarters of work orders for the repair of essential machinery. Bonus payments are reported being cancelled, and several reports have been received indicating that overtime work has been stopped in Soviet-controlled enterprises to avoid payment of extra wages. At the same time, Soviet measures to disrupt the Austrian economy by forcing indebtedness on enterprises under Soviet control have increased. Instances of forced loans have been repeatedly noted, as well as the Soviet demand for repayment by individual firms of so-called "investments" made in these enterprises by the Soviets. An official estimate from the Austrian Chamber of Commerce puts the present indebtedness of USIA firms to the Soviets at approximately \$20,000,000. The examples reported below from several sources are typical of such reports and will serve to exemplify these general conclusions. There is one unconfirmed but contradictory rumor worth mentioning here. Several businessmen of unassessed reliability, but reflecting views current in Austrian commercial circles, believe that the financial confusion in USIA industries exists only in the individual enterprises and has been created intentionally by the Soviet administration so as to promote disorganization and chaos in the Austrian economy; but that, actually, the Soviet Military Bank, after the passage of the currency reform law in December 1947, increased the 600,000,000 schillings it received to an amount somewhere between 1 and 1½ billion schillings, or roughly 20% of total Austrian banknote circulation.)

CLASSIFICATION SECRET

STATE	#	NAVY	NSRB	DISTRIBUTION	WARNING NOTICE	THIS	DISTRIBUTION LISTING	MUST BE
ARMY	#	AIR						

Document No.

NO CHANGE IN Class.

DECLASSIFIED

Class. CHANGED TO TS

Auth: DCA Memo, Apr 27

Date: 27 APR 1978 By: 011

EXCISED BEFORE PUBLIC RELEASE OF THIS DOCUMENT.

This document is hereby regraded to CONFIDENTIAL in accordance with the letter of 16 October 1978 from the Director of Central Intelligence to the Archivist, United States.
 Next Review Date: 2008

SECRET

CENTRAL INTELLIGENCE AGENCY

~~SECRET~~

-2-

- 25X1A
1. It is the custom in many Austrian firms to pay the workers a month's wages as bonus sometime during the year. In the Siemens-Schuckert factories, it has been the rule to split this bonus in two parts, the first payable on 1 June, and the second part just before Christmas. The Soviet director of the USIA-controlled Siemens factories announced late in April 1948 that the workers would not receive the June payment this year, but that "the full amount will be paid just before Christmas".
 Comment: This is regarded by the workers, as well as by the Austrian management, as an attempt by the Soviets to avoid the bonus payment entirely, since, if the Soviets have not returned these plants to the Austrians by Christmas, they will doubtless find another excuse for postponement.)
 2. In order to obtain cash, the USIA-controlled Siemens-Schuckert management is offering for sale items which have hitherto been regarded as very scarce, and for which extraordinarily high prices have been charged when the items were available at all. Such articles include fine sheet metal, electric motor parts, and lacquered wire for motor windings. Director Tupy of the Siemens Engerthstrasse plant is attempting to buy large quantities of lacquered wire in Milan in return for unspecified compensation goods. He hopes to be able to sell this wire for cash in Austria. Similarly, early in March 1948, USIA reportedly sold electrical fittings and copper wire in the amount of one million schillings to Elin, Aktiengesellschaft für Elektrische Industrie, Wien I, Volksartenstrasse 3.
 3. The Buying and Selling Office of the Food Industry Section of USIA is continually trying to get rid of large supplies of vodka, wines, and liqueurs which it has stored in factory warehouses near Schrems. Although USIA formerly sold these articles only against advance payment in cash, it has recently been the practice to deliver the goods to a transportation firm which pays USIA only after it has disposed of the goods and received payment from the buyer. Some selling of foodstuffs is conducted in return for bank credits. Rebates are being granted by the Food Industry Section Buying and Selling Office to wholesalers willing to buy spirits in quantities larger than 100 liters, cooking preparations in lots selling for more than 100,000 schillings, and perfume in lots selling for more than 1,000 schillings. These rebates amount to 10%, 7-9%, and 15% respectively. Cosmetic firms, such as Kaloderm, Liva, and Wotsch & Co., which were formerly required to sell their goods through the Food Industry Buying and Selling Office, are now permitted to make direct sales.
 4. [REDACTED] Instead of the approximately 100,000 schillings needed to meet monthly payrolls, the Oil Staff had been receiving only about 15,000 schillings from the central office in Vienna I, Kantrasse. This brought frequent complaints from the Oil Staff before the payrolls were finally covered. In April 1948, the payroll money, which previously had always been sent by automobile to the Oil Staff, began to arrive by rail in several installments. This system is still in effect, and the money must be picked up personally at the post office by one of the directors of the individual companies. Under these circumstances, the total payroll does not arrive until well into the following month, with resultant dissatisfaction among the workers.
 5. Although small quantities of machinery and spare parts continued, during April 1948, to arrive in Zistersdorf from Romania, construction projects are subjected to the closest scrutiny by the firms, the Oil Staff, and the Central Office. A detailed cost plan must first be submitted for review to each of these agencies before any construction may be undertaken. Approval is granted only in case of the most pressing need.
 6. As of 15 May 1948, no more overtime may be worked in the Zistersdorf oil companies, and no premiums are paid. When overtime work is absolutely essential to the completion of a given task, a detailed report must first be submitted, accompanied by an exact listing of expenses involved in the given project.

SECRET

~~SECRET~~

CENTRAL INTELLIGENCE AGENCY

~~SECRET~~

25X1A

-3-

- 25X1A
7. The building of workers' housing projects has been stopped.
8. BPG (Brodolproduktionsgesellschaft) is now very nearly bankrupt. Brunnbauer and Friedl, the main shareholders of the company, who signed over 50% of the shares to the Germans in 1938, have been forced to sell the entire output of the field to the Soviets at minimum prices. On the other hand, they have had to pay exorbitant prices for natural gas. In addition, the directors are required to repay the Soviets for so-called "investments" made in the company. BPG is in arrears on most of its outstanding obligations and is able to meet its payroll only with great difficulty from reserve capital. It is said in Zistersdorf that the Soviets are now contemplating taking over the 50% share of Brunnbauer and Friedl as compensation for unpaid debts to the Soviets.
9. Wages in the Soviet BPSG started declining about 1 January 1948, after the currency reform. As of 1 May 1948, they had been cut approximately 50%, until they are now roughly comparable to wages paid by the Austrian BPSG. Payments are irregular, and workers often receive their salaries ten days late. Food bonuses, which six months ago were the rule in Soviet BPSG, have now been almost entirely eliminated. Source states that, although Soviet directors tell workers the wage cut was necessary in order to comply with Austrian wage regulations, bookkeeping personnel of the Soviet BPSG speak more and more frequently of acute money shortages.
10. [REDACTED] that there is talk that the Soviets plan a sizable layoff of workers in order to reduce overhead costs.
- 25X1C
25X1C

SECRET

~~SECRET~~